SUPREME COURT, U.S.
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No. 02-668

IN THE

Supreme Court of the United States

WE CARE TRADING CO., INC.,

Petitioner,

v.

COACH, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether there is a conflict among the Courts of Appeal with respect to the proctectability of a trade dress consisting of a non-functional combination of functional design features, and whether this Court should even consider that question where there were no findings in the court below that the individual elements of the trade dress were functional?

2. Whether there can be a violation of the Seventh Amendment where the court disregarded an advisory jury verdict on an issue, namely, an award of attorneys' fees under the Lanham Act, which was not triable to a jury?

STATEMENT PURSUANT TO RULE 29.6

Respondent, Coach, Inc. ("Coach"), has no parent corporation and no publicly held company owns 10% or more of its stock.

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BRIEF IN OPPOSITION

THE STATUTORY PROVISION INVOLVED

15 U.S.C. § 1117(a)

(a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 43(a), (c), or (d) [§ 1125(a), (c), or (d)], or a willful violation under section 43(c), shall have been established in any civil action arising under this Act, the plaintiff

> shall be entitled, subject to the provisions of sections 29 and 32 [§ 1111, 1114] of this Act, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

STATEMENT OF THE CASE

This is a case for trademark infringement, trade dress infringement, unfair competition, and dilution brought by Respondent, Coach, Inc. ("Coach"), owner of the highly distinctive and famous COACH trademark and trade dress in its distinctive handbags. Coach's handbags are adorned with a special hangtag attached to the handbag by a beaded chain, for which Coach owns U.S. trademark registrations. The hangtag twice has been held to be famous by the Second Circuit (A 50-51).

Petitioner We Care Trading Co., Inc. ("We Care" or "Petitioner") is an importer and seller of knockoff imitation handbags. Petitioner purchases goods in the Far East as "blanks" and sells them to counterfeiters in the United States who emboss the goods with the famous trademarks of others. Petitioner imported look-alike Coach handbags with blank hangtags and sold them to counterfeiters who embossed the COACH trademark on the hangtags and in the bags. Counterfeit handbags originally imported by Petitioner were seized by the New York City Police Department during a pre-trial raid.

At the conclusion of a jury trial, a verdict was rendered in Coach's favor on its claims for trade dress infringement, contributory trade dress infringement and dilution. The District Court awarded Coach its attorneys' fees. The Court of Appeals affirmed the judgment, vacating only one clause of the permanent injunction because it was overbroad (A-52.)

Petitioner's Statement of the Case contains many misstatements of the facts and proceedings of this case. Importantly, Petitioner's identification of the four elements characterizing Coach's trade dress is incorrect. The four elements, as presented to the jury, were: glove tanned leather, bound edges, brass or nickel-plated brass hardware, and a lozenge shaped hang tag with a beaded chain (A-48). Coach's trade dress, as defined at trial, did not include "thick leather" as an element as Petitioner alleges (Pet. at 3). Nor did Coach's trade dress include an "ordinary square shaped hang tag or luggage tag." (*Id.*). Contrary to Petitioner's representations, none of Coach's witnesses testified that all four elements of Coach's trade dress were functional within the meaning of the Lanham Act.

The District Court did not instruct the jury that "any arrangement" of functional features may constitute protectable trade dress, as Petitioner contends (*Id.*). Rather, the District Court instructed the jury that only *non-functional* combinations of functional elements may be protectable trade dress (A-23.)

Petitioner incorrectly asserts that the jury "was given for consideration the issues of perjury, failure to produce papers in discovery, and bad faith" in connection with the all five sections of the special verdict. This is not true. The question on the special verdict form concerning bad faith was only advisory, and the jury was not asked to consider perjury or destruction of documents in connection with its determination of bad faith.

Notwithstanding Petitioner's misstatements and misrepresentations, it has failed to demonstrate any basis for granting its petition for a writ of certiorari.

SUMMARY OF ARGUMENT

Petitioner has failed to present any compelling reason for the grant of its petition for a writ of certiorari. Petitioner has not shown a conflict between the decision of the Court of Appeals in this case and the decision of any other Court of Appeals or any other state court. Nor has Petitioner shown that the Court of Appeals decided an important question of federal law which conflicts with any relevant precedent of this Court. Instead, Petitioner merely argues that the Court of Appeals misapplied the law of functionality with respect to trade dress protection. Petitioner also asserts that the Court of Appeals accepted a factual finding by the District Court which contradicted a factual issue given to the jury to decide. Neither assertion is true. The petition should be denied.

REASONS FOR DENYING THE WRIT

1. There is No Conflict Among the Courts of Appeal Concerning the Protectability of a Trade Dress Consisting of a Non-Functional Combination of Elements.

Petitioner incorrectly asserts that there is a conflict among the Courts of Appeal as to whether a nonfunctional combination of elements may constitute protectable trade dress. In *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 121 S. Ct. 1255 (2001), this Court defined "functionality" in the realm of trade dress law. This Court did not rule that non-functional combinations of functional elements cannot be protectable trade dress. There is nothing about the Second Circuit's decision in this case which is "in direct contradiction" to the holding of *TrafFix*. (Pet. at 6).

Petitioner relies on *Leatherman Tool Group v. Cooper Industries*, 199 F.3d 1009 (9th Cir. 1999), and *Eppendorf-Netheler-Hinz GmbH v. Ritter GmbH*, 289 F.3d 351 (5th Cir. 2002), in an attempt to show a conflict. In *Leatherman*, the Court found that the combination of trade dress elements of a tool itself was functional and was "designed to result in superior performance." *Leatherman*, 199 F.3d at 1013. In that case, "all of the products features, including features like size, shape, texture, materials, combinations and placement of elements, etc., are chosen as a matter of *engineering* design in a functional product. . . ." *Id.* at 1011 n.3. In contrast, the Coach handbags at issue in this case are purchased for their source-identifying appearance, not their functionality. In *Eppendorf*, the Court simply held that functional features are not protectable under the trade dress law in and of themselves, but did not address whether a non-functional combination of features is protectable. There is no conflict with the Second Circuit's decision in this case.

Petitioner incorrectly asserts that "the District Court held that any combination of functional features was protectable, whether arbitrarily arranged or not, and refused to consider that a functional combination may not be protectable at all." (Pet. at 6). The District Court made no such holding. Rather, the District Court instructed the jury that even if one or more elements of Coach's trade dress is found to be functional, "you may still find the trade dress to be non-functional if you find that the combination or arrangement of features it has identified as its trade dress, when viewed in its entirety, is non-functional." (A-23). This instruction clearly and unequivocally limits trade dress protection to *non-functional* combinations, in accordance with established precedent.

Petitioner incorrectly alleges that Coach has been awarded a perpetual monopoly "over the use of any arrangement of four basic functional elements *essential* to the construction of almost every handbag." (Pet. at 4; emphasis added). In fact, the jury found that the four elements were *not* essential to the construction of a woman's handbag, and there was no evidence of any handbag on the market which included all four elements of Coach's trade dress in combination. To the contrary, there was substantial evidence of many handbags on the market which did not include the elements of Coach's trade dress. Petitioner's assertion that Coach obtained trade dress rights to "four essential functional features of almost all handbags" (Pet. at 6) is not supported by the record.

An additional fault of Petitioner's argument lies in its premise that each of the elements of Coach's trade dress is independently functional, so the combination thereof is *per se* functional (Pet. at 6). There is no basis for reaching this conclusion. Although Petitioner argued that the features

of Coach's trade dress were functional, there was substantial evidence that each feature was non-functional. There was no finding by the jury that each element of Coach's trade dress is functional. Petitioner simply disagrees with the jury verdict.

Petitioner has failed to raise an issue in this case to be addressed by this Court. Even if there were a lack of conformity among the Courts of Appeal as to whether a combination of functional features could be protectable trade dress, there is no indication that any rule of law was misapplied by the Court of Appeals in this case.

2. The Courts Below Did Not Disregard the Seventh Amendment.

Petitioner incorrectly states that certain factual questions relating to bad faith were submitted to the jury (Pet. at 7). The listed factual questions were never presented to the jury. There was only one verdict on the issue of bad faith, and it was clearly and unmistakably an advisory verdict. There is no support for Petitioner's assertion that "[i]t is the exclusive province of the jury to apply the community standards that govern bad faith" (Pet. at 8). Since the verdict on bad faith expressly was denominated as advisory upon consent (A-38), it clearly was not a factual matter for determination by the jury.[1] Importantly, Petitioner never requested a jury trial and never asked that the issue of bad faith be submitted to the jury in accordance with its now-alleged Seventh Amendment right. The Seventh Amendment simply does not apply.

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1. The case relied upon by Petitioner for the proposition that bad faith is a factual issue to be decided by the jury, *Ostrowski v. Atlantic Mutual Ins. Co.*, 968 F.2d 171, 184 (2d Cir. 1992), is inapplicable because it involved a substantive claim and not an award of attorneys' fees under the Lanham Act.

The District Court defined "bad faith" in a limited way in its instructions to the jury as follows:

> In determining whether defendant acted in bad faith, you should consider whether the defendant acted deliberately or willfully, as I have explained those terms to you, or with a callous or reckless disregard for the plaintiff's rights, whether the defendant intended to create confusion or deceive consumers, whether the defendant continued to sell the products at issue after it had received notice of the potential trademark or trade dress violation, and whether the defendant had a credible innocent explanation for its conduct.

(Tr. 1012).

Petitioner attempts to mix up the advisory jury verdict on bad faith with the issue of whether the District Court properly awarded attorneys' fees. Indeed, even the jury verdict on damages was separate from and independent of the bad faith advisory verdict. Thus, in considering whether to award damages, the jury was *not* "expressly asked if Defendant had acted in bad faith, to which they answered 'no'." (Pet. at 7). The jury was instructed that to establish entitlement to damages Coach had to prove intent, injury, causation and actual loss. The jury was further admonished that "[d]ue to the inherent difficulty . . . in isolating causation between diverted sales and injured reputation, damages are often hard to establish." (Tr. 1010). Thus, there were many potential reasons for the jury's verdict on damages. Petitioner incorrectly concludes that the jury awarded no damages because it found no bad faith.

The Court of Appeals held that the District Court's findings of bad faith (A-39 - 40) were "well supported" and not limited to the definition of bad faith as charged to the jury (A-51). Contrary to Petitioner's assertion, the Court of Appeals did not affirm the District Court's findings solely "on the basis of perjured testimony and failure to produce documents" (Pet. at 8). In any event, even it had, the jury did not consider and could not have considered perjured testimony or the failure to produce documents in an advisory verdict of bad faith as defined in the jury charge.

It is well settled that a Court is not bound by an advisory jury verdict in assessing attorneys' fees. Under the Lanham Act, attorneys' fees may be awarded to the prevailing party in "exceptional cases." 15 U.S.C. § 1117(a). The District Court has *complete discretion* to award attorneys' fees under those circumstances. *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 114 (2d Cir. 1988), *cert. denied*, 490 U.S. 1106 (1989); *Merriam-Webster, Inc. v. Random House, Inc.*, 815 F. Supp. 691, 705 (S.D.N.Y. 1993), *rev'd on other grounds*, 35 F.3d 65 (2d Cir. 1994), *cert. denied*, 513 U.S. 1190 (1995). The jury plays no more than an advisorial role in deciding whether attorneys' fees should be awarded under the Lanham Act. *See Merriam-Webster*, 815 F. Supp. at 705. The District Court is free to disregard the advisory jury verdict and reach its own conclusion. *Ragin v. Harry Macklowe Real Estate Co.*, 6 F.3d 898, 907 (2d Cir. 1993). The District Court here reached its own conclusion on attorneys' fees as required by statute, and did not overrule any factual finding determined by the jury.

Petitioner did not meet its burden on appeal of demonstrating that the District Court abused its discretion in awarding attorneys' fees. The Court of Appeals correctly affirmed the District Court's award of attorneys' fees.

CONCLUSION

For the foregoing reasons, Petitioner's petition for a writ of certiorari should be denied.

Respectfully submitted,

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